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# **COSTS and RETURNS**



**Commercial  
Tobacco-  
Livestock  
Farms**

**Bluegrass Area,  
Kentucky**

1965

## FARM COSTS STUDIES

This report is part of a continuing nationwide study of costs and returns on commercial farms and ranches by type and size in some of the important farming regions of the United States. The study is conducted under the general supervision of Wylie D. Goodsell, Farm Production Economics Division, Economic Research Service. Objectives, methodology, procedure, and terms are uniform for all areas covered in the study.

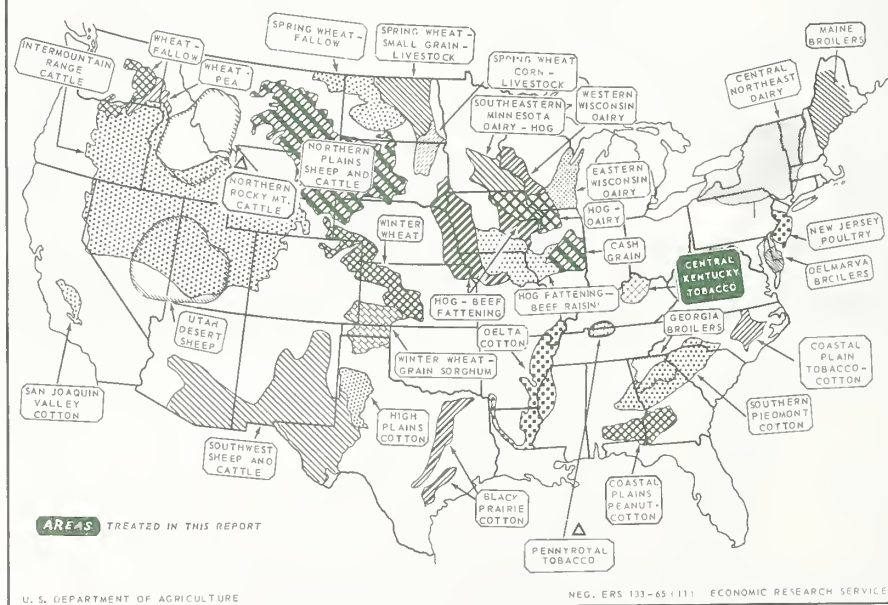
The 1965 costs and returns studies have been conducted on the following:

Dairy Farms, Northeast and Midwest  
 Corn Belt Farms  
 Egg-Producing Farms, New Jersey  
 Broiler Farms, Maine, Delmarva, and Georgia  
 Cotton Farms  
 Tobacco Farms, Coastal Plain, North Carolina  
 Tobacco-Livestock Farms, Bluegrass Area, Kentucky  
 Wheat Farms, Plains and Pacific Northwest  
 Western Livestock Ranches

Summary statistics for all types of farms in the study are presented in a report, revised annually. The latest such report was published in 1965 and is titled: "Farm Costs and Returns, Commercial Farms, by Type, Size, and Location," Agriculture Information Bulletin No. 230, Revised 1965.

Information on the studies can be obtained from Farm Production Economics Division, Economic Research Service, U.S. Department of Agriculture, Washington, D.C. 20250.

## LOCATION OF TYPES OF FARMS STUDIED



# COSTS AND RETURNS COMMERCIAL TOBACCO-LIVESTOCK FARMS BLUEGRASS AREA, KENTUCKY, 1965

Owen K. Shugars and John H. Bondurant<sup>1</sup>

In 1965, net farm incomes on typical tobacco-livestock farms in the Bluegrass area of Kentucky were higher than a year earlier and second only to the record highs of 1963 (figs. 1 and 2). Estimates of net farm incomes for 1963, 1964, and 1965 are as follows:

|                                                     | 1963    | 1964    | 1965    | Percentage change-- |              |
|-----------------------------------------------------|---------|---------|---------|---------------------|--------------|
|                                                     |         |         |         | 1963 to 1965        | 1964 to 1965 |
| Tobacco-livestock farms, Inner Bluegrass Area.....  | \$9,786 | \$6,756 | \$7,977 | -18                 | 18           |
| Tobacco-dairy farms, Intermediate Bluegrass Area... | 3,448   | 2,672   | 3,058   | -11                 | 14           |
| Tobacco-dairy farms, Outer Bluegrass Area.....      | 6,288   | 5,352   | 6,139   | -2                  | 15           |

Incomes in 1965 were higher than in 1964 chiefly because of higher prices received. Prices for burley tobacco in 1965 averaged the highest on record. Prices for milk, cattle, and calves improved in 1965 and hog prices were up substantially. Tobacco production per farm was below 1964 levels because of a reduction in acreage allotments (table 1). Tobacco yields per acre averaged higher than a year earlier, but slightly below those of 1963. Cash receipts from tobacco were higher than in 1964 on typical farms in the Intermediate and Outer Areas and only slightly below 1964 in the Inner Area.

## Tobacco-Livestock Farms, Inner Bluegrass Area

Gross farm income was up about 12 percent from a year earlier on tobacco-livestock farms in the Inner Bluegrass Area (table 2). Operating expense increased about 7 percent and net farm income rose 18 percent. Gross farm income includes cash receipts (sales of products produced on the farm and Government payments), the value of prod-

ucts produced on the farm and consumed in the home, net change in inventory of crops and livestock, plus an estimated net rental value of the farm dwelling (table 3).

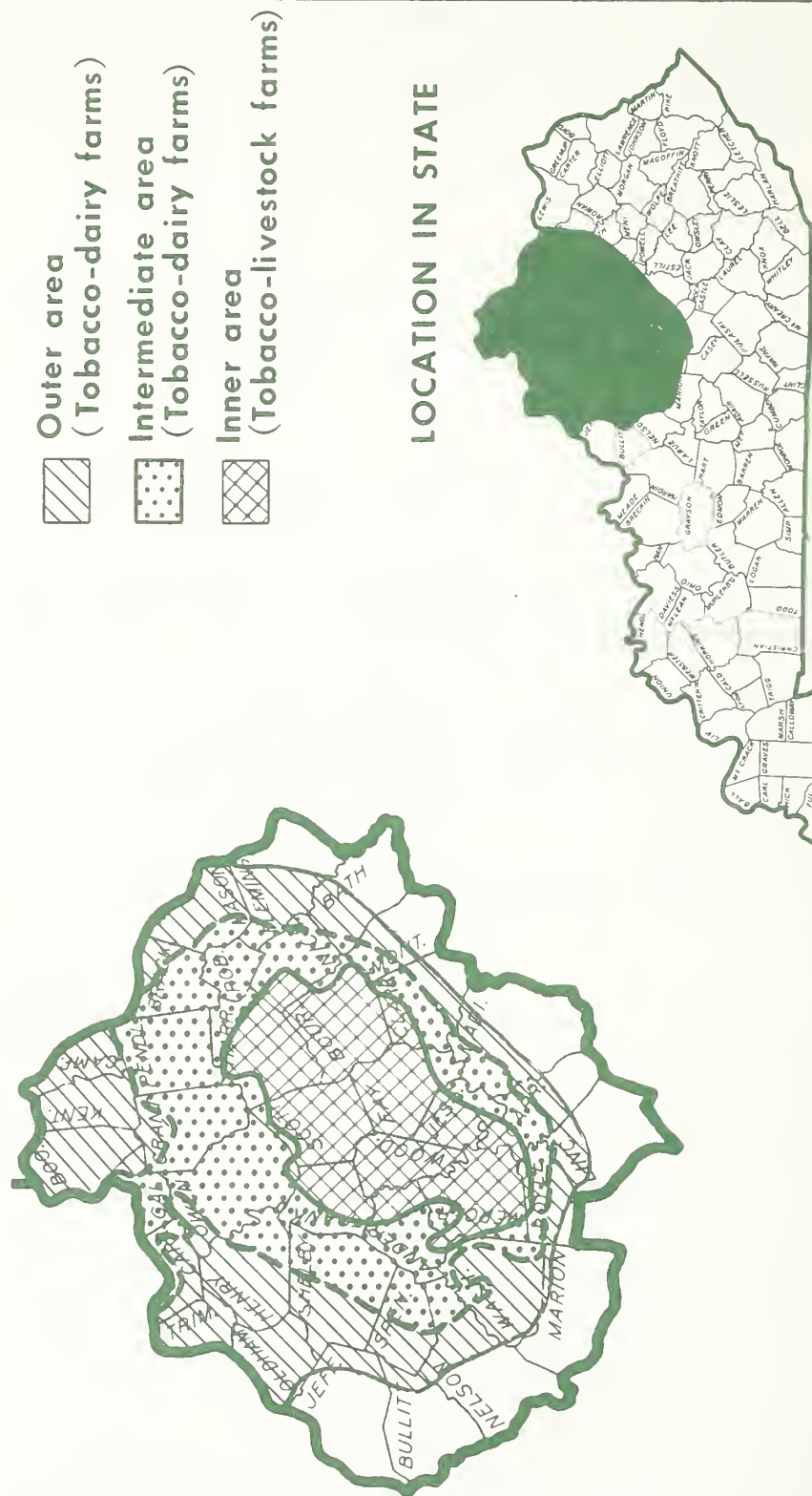
Cash receipts in 1965 were \$1,382 above those in 1964. Sales of tobacco were down only slightly as higher prices received nearly offset lower production. Prices received for burley tobacco in this area increased 7 percent from a year earlier to

<sup>1</sup> Agricultural Economist, Farm Production Economics Division, Economic Research Service, U.S. Department of Agriculture, and Professor of Agricultural Economics, University of Kentucky, respectively. The Kentucky Agricultural Experiment Station is a cooperator in the continuing study of costs and returns on tobacco-livestock farms in the Bluegrass area of Kentucky.



# BLUEGRASS AREA OF KENTUCKY

## Location of Types of Farms Studied



U. S. DEPARTMENT OF AGRICULTURE

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Figure 2

Table 1.--Size, organization, and production, tobacco-livestock farms, Bluegrass Area, Kentucky, 1957-59, 1964 and 1965

| Item                            | Unit   | Tobacco-livestock farms,<br>Inner Bluegrass<br>Area |         |                   | Tobacco-dairy farms,<br>Intermediate Bluegrass<br>Area |        |                   | Tobacco-dairy farms,<br>Outer Bluegrass<br>Area |        |                   |
|---------------------------------|--------|-----------------------------------------------------|---------|-------------------|--------------------------------------------------------|--------|-------------------|-------------------------------------------------|--------|-------------------|
|                                 |        | AVERAGE<br>1957-59                                  | 1964    | 1965 <sup>1</sup> | AVERAGE<br>1957-59                                     | 1964   | 1965 <sup>1</sup> | AVERAGE<br>1957-59                              | 1964   | 1965 <sup>1</sup> |
| Land in farm.....               | Acre   | 204                                                 | 222     | 228               | 111                                                    | 116    | 117               | 126                                             | 136    | 140               |
| Cropland harvested.....         | do.    | 58.0                                                | 52.6    | 53.7              | 25.0                                                   | 22.0   | 21.0              | 40.0                                            | 40.0   | 41.0              |
| Crops harvested:                |        |                                                     |         |                   |                                                        |        |                   |                                                 |        |                   |
| Tobacco.....                    | do.    | 7.1                                                 | 7.5     | 6.8               | 2.2                                                    | 2.1    | 1.9               | 2.8                                             | 3.1    | 2.8               |
| Corn for grain.....             | do.    | 12.8                                                | 9.6     | 9.7               | 8.3                                                    | 3.5    | 3.5               | 8.3                                             | 7.1    | 7.4               |
| Corn for silage.....            | do.    | ---                                                 | ---     | ---               | ---                                                    | ---    | ---               | 4.4                                             | 4.6    | 5.5               |
| Small grains.....               | do.    | 5.6                                                 | 2.4     | 2.9               | ---                                                    | ---    | ---               | 2.8                                             | 1.9    | 1.7               |
| Alfalfa.....                    | do.    | 16.3                                                | 20.2    | 19.6              | 7.7                                                    | 9.9    | 9.9               | 9.8                                             | 13.4   | 14.2              |
| Other hay.....                  | do.    | 16.3                                                | 12.9    | 14.7              | 6.5                                                    | 6.0    | 6.0               | 11.5                                            | 10.1   | 9.7               |
| Crop yields per harvested acre: |        |                                                     |         |                   |                                                        |        |                   |                                                 |        |                   |
| Tobacco.....                    | Pound  | 1,722                                               | 1,960   | 1,998             | 1,600                                                  | 1,799  | 1,923             | 1,730                                           | 1,929  | 2,097             |
| Corn for grain.....             | Bushel | 60                                                  | 63      | 74                | 52                                                     | 60     | 63                | 59                                              | 74     | 84                |
| Corn for silage.....            | Ton    | ---                                                 | ---     | ---               | ---                                                    | ---    | ---               | 10.2                                            | 14.0   | 14.0              |
| Wheat.....                      | Bushel | 24                                                  | 32      | 32                | ---                                                    | ---    | ---               | ---                                             | ---    | ---               |
| Alfalfa.....                    | Ton    | 2.8                                                 | 3.0     | 2.8               | 2.0                                                    | 1.6    | 2.1               | 2.4                                             | 2.6    | 2.8               |
| Other hay.....                  | do.    | 1.4                                                 | 1.5     | 1.5               | 1.3                                                    | 1.4    | 1.1               | 1.4                                             | 1.4    | 1.4               |
| Livestock on farm, Jan. 1:      |        |                                                     |         |                   |                                                        |        |                   |                                                 |        |                   |
| Beef cows.....                  | Number | 23.8                                                | 36.3    | 39.9              | ---                                                    | ---    | ---               | ---                                             | ---    | ---               |
| Milk cows.....                  | do.    | ---                                                 | ---     | ---               | 10.2                                                   | 10.9   | 11.2              | 15.1                                            | 19.1   | 19.7              |
| Brood sows.....                 | do.    | 2.8                                                 | 2.7     | 3.1               | ---                                                    | ---    | ---               | 1.4                                             | 1.2    | 1.2               |
| Ewes.....                       | do.    | 58.7                                                | 42.5    | 36.1              | ---                                                    | ---    | ---               | ---                                             | ---    | ---               |
| Milk production per cow.....    | Pound  | ---                                                 | ---     | ---               | 5,550                                                  | 6,400  | 6,440             | 6,760                                           | 7,680  | 7,980             |
| Total farm capital, Jan. 1..... | Dollar | 90,030                                              | 111,630 | 114,280           | 19,390                                                 | 25,050 | 25,030            | 35,620                                          | 49,280 | 50,550            |
| Land and buildings.....         | do.    | 77,570                                              | 96,350  | 99,860            | 13,810                                                 | 18,330 | 18,600            | 26,060                                          | 36,450 | 37,800            |
| Machinery and equipment.....    | do.    | 4,650                                               | 5,490   | 5,450             | 2,630                                                  | 3,020  | 2,990             | 4,790                                           | 6,140  | 6,460             |
| Livestock.....                  | do.    | 5,770                                               | 7,610   | 6,550             | 2,260                                                  | 2,740  | 2,480             | 3,480                                           | 4,780  | 4,240             |
| Crops.....                      | do.    | 2,040                                               | 2,180   | 2,420             | 690                                                    | 960    | 960               | 1,290                                           | 1,910  | 2,050             |
| Total labor used.....           | Hour   | 4,400                                               | 4,440   | 4,330             | 3,560                                                  | 3,410  | 3,380             | 4,400                                           | 4,920  | 4,670             |
| Operator and family labor.....  | do.    | 2,630                                               | 2,660   | 2,600             | 3,380                                                  | 3,220  | 3,210             | 3,870                                           | 4,180  | 3,970             |

<sup>1</sup> Preliminary.

Table 2.- Income, costs, and related data, tobacco-livestock farms, Bluegrass Area, Kentucky, 1957-59, 1964 and 1965

| Item                                                | Unit   | Tobacco-livestock farms,<br>Inner Bluegrass<br>Area |        |                   | Tobacco-dairy farms,<br>Intermediate Bluegrass<br>Area |       |                   | Tobacco-dairy farms,<br>Outer Bluegrass<br>Area |        |                   |
|-----------------------------------------------------|--------|-----------------------------------------------------|--------|-------------------|--------------------------------------------------------|-------|-------------------|-------------------------------------------------|--------|-------------------|
|                                                     |        | AVERAGE<br>1957-59                                  | 1964   | 1965 <sup>1</sup> | AVERAGE<br>1957-59                                     | 1964  | 1965 <sup>1</sup> | AVERAGE<br>1957-59                              | 1964   | 1965 <sup>1</sup> |
| Gross farm income.....                              | Dollar | 14,402                                              | 15,750 | 17,582            | 4,901                                                  | 5,668 | 6,013             | 9,262                                           | 11,928 | 12,870            |
| Operating expenses.....                             | do.    | 7,291                                               | 8,994  | 9,605             | 2,386                                                  | 2,996 | 2,955             | 4,715                                           | 6,576  | 6,731             |
| Net farm income.....                                | do.    | 7,111                                               | 6,756  | 7,977             | 2,515                                                  | 2,672 | 3,058             | 4,547                                           | 5,352  | 6,139             |
| Index numbers (1957-59 = 100):                      |        |                                                     |        |                   |                                                        |       |                   |                                                 |        |                   |
| Net farm income.....                                | ---    | 100                                                 | 95     | 112               | 100                                                    | 106   | 122               | 100                                             | 118    | 135               |
| Net farm production.....                            | ---    | 100                                                 | 113    | 114               | 100                                                    | 110   | 113               | 100                                             | 130    | 131               |
| Operating expense per unit of<br>production.....    | ---    | 100                                                 | 105    | 110               | 100                                                    | 108   | 106               | 100                                             | 107    | 109               |
| Production per unit of input.....                   | ---    | 100                                                 | 105    | 106               | 100                                                    | 110   | 113               | 100                                             | 110    | 111               |
| Prices received for products sold....               | ---    | 100                                                 | 92     | 100               | 100                                                    | 99    | 108               | 100                                             | 97     | 104               |
| Prices paid, including wages to<br>hired labor..... | ---    | 100                                                 | 107    | 111               | 100                                                    | 107   | 110               | 100                                             | 109    | 111               |

<sup>1</sup> Preliminary.

Note: Information presented here is on an owner-operator basis primarily for comparability between types of farms. Net farm income is the return to operator and unpaid members of the family for their labor and management on the farm and return to total capital. No allowance has been made for payment of rent, interest, or mortgage.



Table 3.- Gross farm income, tobacco-livestock farms, Bluegrass Area, Kentucky, 1957-59, 1964 and 1965

| Item                                          | Tobacco-livestock farms,<br>Inner Bluegrass<br>Area |         |                   | Tobacco-dairy farms,<br>Intermediate Bluegrass<br>Area |         |                   | Tobacco-dairy farms,<br>Outer Bluegrass<br>Area |         |                   |
|-----------------------------------------------|-----------------------------------------------------|---------|-------------------|--------------------------------------------------------|---------|-------------------|-------------------------------------------------|---------|-------------------|
|                                               | AVERAGE<br>1957-59                                  | 1964    | 1965 <sup>1</sup> | AVERAGE<br>1957-59                                     | 1964    | 1965 <sup>1</sup> | AVERAGE<br>1957-59                              | 1964    | 1965 <sup>1</sup> |
|                                               | Dollars                                             | Dollars | Dollars           | Dollars                                                | Dollars | Dollars           | Dollars                                         | Dollars | Dollars           |
| Total cash receipts.....                      | 12,810                                              | 14,304  | 15,686            | 4,268                                                  | 5,107   | 5,339             | 8,207                                           | 11,096  | 11,529            |
| Tobacco.....                                  | 7,752                                               | 8,963   | 8,876             | 2,204                                                  | 2,296   | 2,404             | 3,072                                           | 3,609   | 3,874             |
| Cattle and calves.....                        | 2,783                                               | 3,589   | 4,545             | 530                                                    | 704     | 798               | 718                                             | 1,264   | 961               |
| Hogs and pigs.....                            | 739                                                 | 653     | 1,313             | ---                                                    | ---     | ---               | 354                                             | 314     | 425               |
| Sheep, lambs, and wool.....                   | 1,190                                               | 986     | 818               | ---                                                    | ---     | ---               | ---                                             | ---     | ---               |
| Dairy products.....                           | ---                                                 | ---     | ---               | 1,412                                                  | 2,020   | 2,076             | 3,930                                           | 5,818   | 6,178             |
| Other, including Government payments.....     | 346                                                 | 113     | 134               | 122                                                    | 87      | 61                | 133                                             | 91      | 91                |
| Value of perquisites.....                     | 1,310                                               | 1,527   | 1,600             | 591                                                    | 636     | 661               | 839                                             | 969     | 1,024             |
| Change in inventory, crops and livestock..... | 282                                                 | -81     | 296               | 42                                                     | -75     | 13                | 216                                             | -137    | 317               |
| Gross farm income.....                        | 14,402                                              | 15,750  | 17,582            | 4,901                                                  | 5,668   | 6,013             | 9,262                                           | 11,928  | 12,870            |

<sup>1</sup> Preliminary.

the highest on record, but tobacco acreage per farm was down 10 percent due to the reduction in acreage allotments. However, tobacco yields per acre averaged a little higher than a year earlier; thus production per farm was down only 8 percent.

Cash receipts from cattle and calves increased because of higher prices and a larger quantity sold. Prices received for feeder calves averaged 20 percent above a year earlier and yearling prices were up 14 percent.

Beef production was greater than in 1964 as the number of beef cows on hand continued to trend upward. Cash receipts from hogs and pigs were about double those of a year earlier as both production and prices increased. Hogs are a minor enterprise on these farms but accounted for about 7 percent of gross farm income in 1965, and exceeded the return from the sheep enterprise. Returns from sheep, lambs, and wool were down in 1965 due largely to reduced production. Prices received for lambs in 1965 averaged only slightly below 1964 and wool prices were up slightly. The number of ewes on hand January 1, 1965, was lower than a year earlier, but for the first time in many years the number of ewes did not decline during the year.

Prices received for all products sold on these Inner Bluegrass farms averaged nearly 9 percent above a year earlier.

Operating expenses were up \$611 per farm from a year earlier (table 4). Use of purchased inputs increased slightly more than 5 percent and prices paid for these production goods and services averaged nearly 4 percent above a year earlier.

Inputs of fertilizer, insecticides, hired labor, and other miscellaneous crop production items declined in 1965 because of a reduction in the acreage of tobacco. However, declines in these inputs were more than offset by greater cash inputs for feed, machinery and equipment, and building and fencing materials.

Higher wage rates and higher prices paid for machinery were chiefly responsible for the increase in prices paid on these farms. The cash outlay for hired labor in 1965 was a little larger than in 1964 despite a slight decline in the quantity hired.

Returns in 1965 for typical tobacco-livestock farms in the Inner Bluegrass Area reflect many changes since 1957-59. Total land per farm has increased about 12 percent but the acreage of cropland harvested has declined nearly 8 percent. Acreages of corn and small grains have declined while hay acreage has increased. Due to a cut in burley tobacco allotments in 1965, tobacco acreage per farm was 4 percent below the 1957-59 average. However, 1965 tobacco yields averaged 276 pounds more per acre than in 1957-59 and prices received for tobacco were 3 percent higher. Consequently, receipts from tobacco were up \$1,124 per farm from those of the earlier period.

Returns from cattle and calves in 1965 averaged \$1,762 above the 1957-59 return largely because of increased production. Prices received were not much different in the two periods. The number of beef cows per farm has increased nearly 68 percent since 1957-59. On the other hand, the number of ewes per farm has declined 39 percent. Returns from sheep, lambs, and wool in 1965 were down \$372 per farm from 1957-59.

Table 4.- Operating expenses, tobacco-livestock farms, Bluegrass Area, Kentucky, 1957-59, 1964 and 1965

| Item                                              | Tobacco-livestock farms,<br>Inner Bluegrass<br>Area |                |                   | Tobacco-dairy farms,<br>Intermediate Bluegrass<br>Area |                |                   | Tobacco-dairy farms,<br>Outer Bluegrass<br>Area |                |                   |
|---------------------------------------------------|-----------------------------------------------------|----------------|-------------------|--------------------------------------------------------|----------------|-------------------|-------------------------------------------------|----------------|-------------------|
|                                                   | AVERAGE<br>1957-59                                  | 1964           | 1965 <sup>1</sup> | AVERAGE<br>1957-59                                     | 1964           | 1965 <sup>1</sup> | AVERAGE<br>1957-59                              | 1964           | 1965 <sup>1</sup> |
|                                                   | <u>Dollars</u>                                      | <u>Dollars</u> | <u>Dollars</u>    | <u>Dollars</u>                                         | <u>Dollars</u> | <u>Dollars</u>    | <u>Dollars</u>                                  | <u>Dollars</u> | <u>Dollars</u>    |
| Total cash expenditures.....                      | 7,353                                               | 8,668          | 9,535             | 2,571                                                  | 2,797          | 2,765             | 4,820                                           | 6,739          | 6,888             |
| Feed purchased.....                               | 345                                                 | 1,369          | 1,879             | 143                                                    | 515            | 390               | 858                                             | 1,377          | 1,307             |
| Livestock purchased.....                          | 801                                                 | 580            | 564               | 27                                                     | 19             | 20                | 7                                               | 6              | 6                 |
| Other livestock expense.....                      | 167                                                 | 186            | 192               | 70                                                     | 91             | 94                | 144                                             | 216            | 217               |
| Fertilizer and lime.....                          | 635                                                 | 749            | 726               | 241                                                    | 284            | 275               | 308                                             | 451            | 451               |
| Other crop expense.....                           | 398                                                 | 410            | 414               | 122                                                    | 147            | 152               | 200                                             | 260            | 256               |
| Machinery.....                                    | 1,766                                               | 1,840          | 2,152             | 1,133                                                  | 1,064          | 1,210             | 1,898                                           | 2,461          | 2,604             |
| Farm buildings and fences.....                    | 801                                                 | 670            | 694               | 381                                                    | 143            | 93                | 474                                             | 667            | 730               |
| Labor hired.....                                  | 1,524                                               | 1,812          | 1,856             | 146                                                    | 181            | 173               | 411                                             | 679            | 679               |
| Taxes.....                                        | 432                                                 | 500            | 507               | 101                                                    | 126            | 125               | 180                                             | 238            | 242               |
| Other.....                                        | 484                                                 | 552            | 551               | 207                                                    | 227            | 233               | 340                                             | 384            | 396               |
| Inventory adjustment, machinery and buildings.... | -62                                                 | 326            | 70                | -185                                                   | 199            | 190               | -105                                            | -163           | -157              |
| Total operating expenses.....                     | 7,291                                               | 8,994          | 9,605             | 2,386                                                  | 2,996          | 2,955             | 4,715                                           | 6,576          | 6,731             |

<sup>1</sup> Preliminary.

Overall, these changes and some others of less influence resulted in a gross farm income of \$17,582 in 1965, up \$3,180 from 1957-59.

Due to a larger farming operation and higher prices paid, operating expenses in 1965 were 32 percent above the 1957-59 average. Part of this increase was due to the use of more inputs, but prices paid for these inputs averaged 11 percent higher in 1965 than in 1957-59. Notable among the cash input items showing increases in price were: Wage rates, up 24 percent; farm machinery, up 19 percent; and protein feedstuffs, up 14 percent. There were only minor changes in prices of the more commonly used insecticides and fertilizer materials. Operating expenses averaged 55 percent of gross income in 1965 and 51 percent in 1957-59 (fig. 3).

Efficiency in production, as measured by the index of production per unit of input, advanced 6 percent from 1957-59. However, chiefly because of higher prices paid, operating expense per unit of production increased 10 percent.

### **Tobacco-Dairy Farms, Intermediate Bluegrass Area**

Gross farm income for tobacco-dairy farms in the Intermediate Bluegrass Area was estimated at \$6,013 per farm for 1965, an increase of 6 percent from a year earlier. Operating expenses were down slightly and net farm income was up 14 percent.

Income on these farms is derived chiefly from the sale of tobacco and dairy products. Cash receipts from tobacco in 1965 were up \$108 per farm despite a reduction of 10 percent in acreage allotments. Prices

received for burley tobacco in this area averaged \$65.79 per hundred pounds in 1965, up \$5.02 from the previous marketing season. The 1965 average yield of tobacco on these farms at 1,923 pounds per acre was nearly 7 percent above the 1964 yield. Tobacco production per farm was down 3 percent but the higher price received more than made up for the reduction in pounds marketed.

The average number of cows milked in 1965 was slightly above the 1964 average and milk production per cow was about the same. However, milk production per farm was up 2 percent and cash receipts from milk sold averaged 3 percent above a year earlier. Prices received for ungraded manufacturing milk were about the same in both years. Sales of cattle and calves increased slightly as both quantities sold and prices received were greater than in the previous year. Largely because of increased prices of tobacco and livestock, prices for all products sold averaged about 9 percent higher than in 1964.

Operating expenses for the Intermediate Bluegrass Area farms in 1965 averaged a little below those of 1964. The reduction in tobacco acreage resulted in a decline in use of some production inputs, thereby offsetting higher prices paid. Contrary to the general trend to larger farming operations, typical farms in the Intermediate Bluegrass Area are just about maintaining the same average size enterprises year after year. Some farmers are expanding their operations, while others are "cutting back." This "cutting back" has generally taken the form of shifting from dairy to a cow-calf plan, utilizing the same herd for beef production. Such a change reduces the farm labor requirements



Bluegrass Area, Kentucky

# FARM INCOME PER FARM

*Tobacco-Livestock Farms, Inner Area*

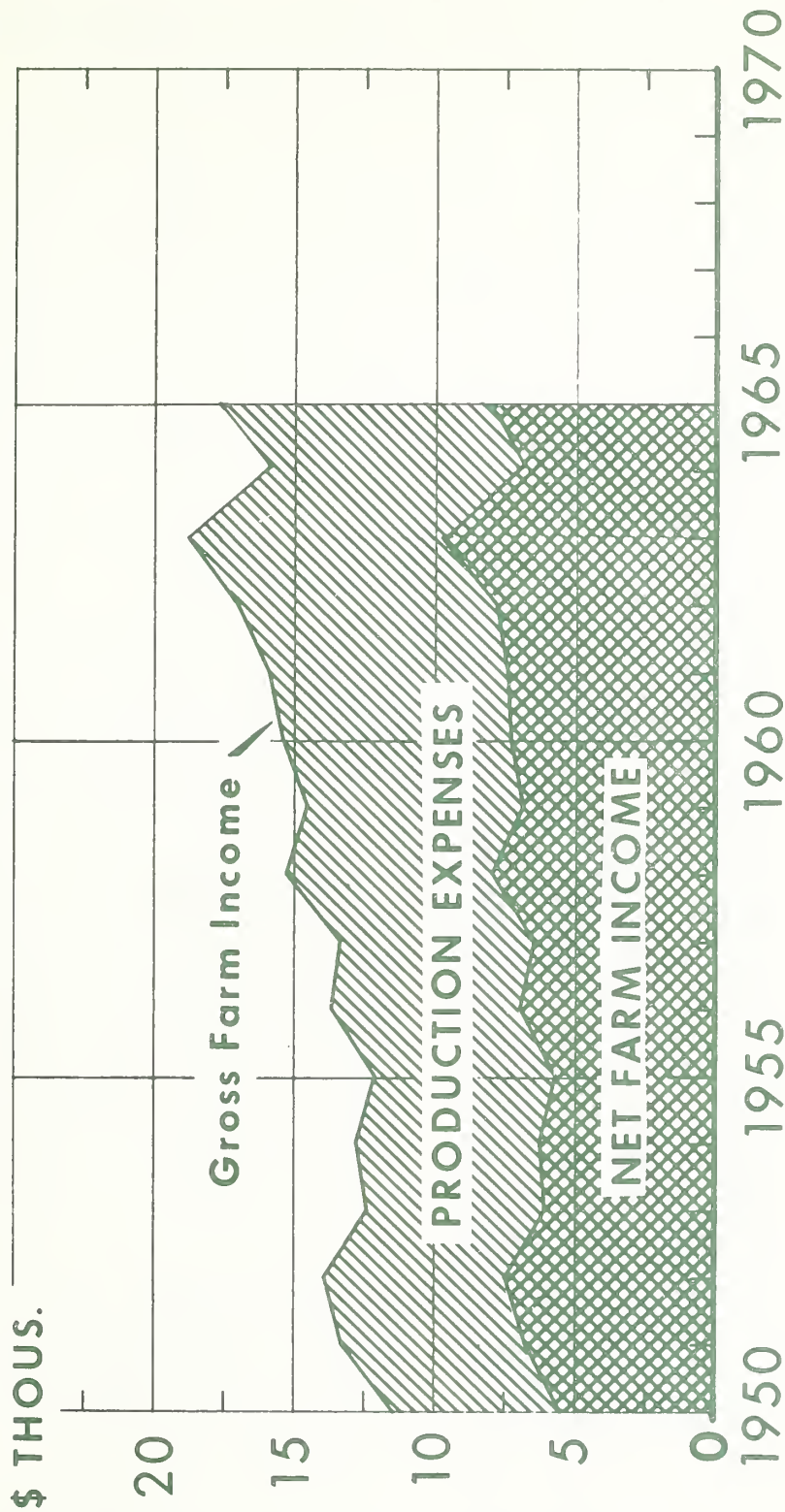


Figure 3



and enables the operator to take part- or full-time off-farm employment.

Since 1957-59 the overall size of the farming operation on typical tobacco-dairy farms in the Intermediate Bluegrass Area has increased only slightly. However, production per farm has increased substantially because of higher crop yields and increased milk production per cow. Due to this increased production and higher prices received, net farm income was 22 percent higher in 1965 than in 1957-59. Total land in farm in 1965 was estimated at 117 acres, 6 acres above the 1957-59 average. However, cropland harvested declined 16 percent. Acreage utilized for grain production (mostly corn) declined 58 percent. Harvested acreage of hay increased about 12 percent due to a larger acreage of alfalfa.

Tobacco acreage per farm at 1.9 acres in 1965 was nearly 14 percent below the 1957-59 average. This change in tobacco acreage is, of course, primarily a result of changes in tobacco allotments.

The size of the dairy enterprise in 1965 was only a little larger than in 1957-59. The number of milk cows on hand January 1, 1965, was up only 1 head per farm from 1957-59. Total milk production per farm, however, was up 28 percent from the earlier period as production per cow increased 16 percent.

In 1965, net farm production was up 13 percent from 1957-59. In addition to improvement in milk production per cow, crop yields have trended upward since 1957-59. Tobacco yields per acre in 1965 averaged 20 percent above 1957-59. Corn yields were up 11 bushels per acre,

yields of alfalfa hay averaged slightly higher but yields of other hay were down from 1957-59.

Operating expenses were about 24 percent higher in 1965 than in 1957-59 (fig. 4). More purchased inputs were used in 1965 and prices paid for them were up 10 percent. These farmers were more efficient in the use of inputs and production per unit of input was up 13 percent from 1957-59. However, operating expense per unit of production was 6 percent higher than in 1957-59 because of higher prices paid.

### Tobacco-Dairy Farms, Outer Bluegrass Area

Gross farm income on tobacco-dairy farms in the Outer Bluegrass Area was estimated at \$12,870 for 1965, about 8 percent above a year earlier. Net farm income increased by \$787, and operating expenses rose 2 percent (fig. 5).

Cash receipts from milk increased 6 percent in 1965 and receipts from tobacco rose 7 percent. Milk production per farm increased 5 percent and milk prices averaged about 3 percent above 1964. Milk production per cow continued an upward trend in 1965, exceeding the 1964 rate by about 4 percent. The average number of cows milked per farm was also above the previous year.

Tobacco production per farm was down about 2 percent in 1965. Burley tobacco acreage allotments were reduced 10 percent in 1965 but yields averaged 9 percent above a year earlier and were the second highest on record.

Prices received for burley tobacco in this area in 1965 averaged \$65.97 per hundred pounds, \$5.62 above 1964 and a record high.

Bluegrass Area, Kentucky

## FARM INCOME PER FARM

*Tobacco-Dairy Farms, Intermediate Area*

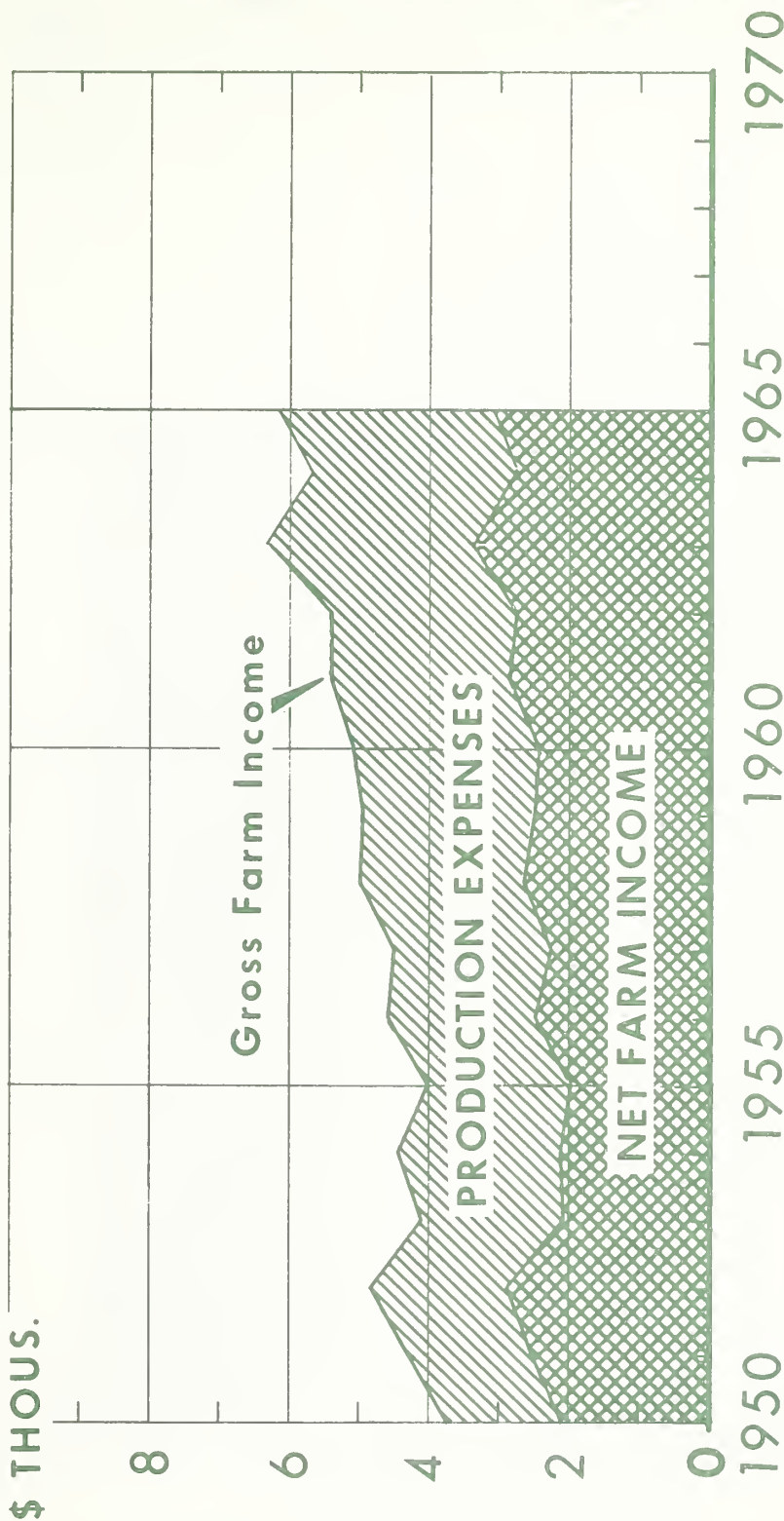


Figure 4

# FARM INCOME PER FARM

Tobacco-Dairy Farms, Outer Area

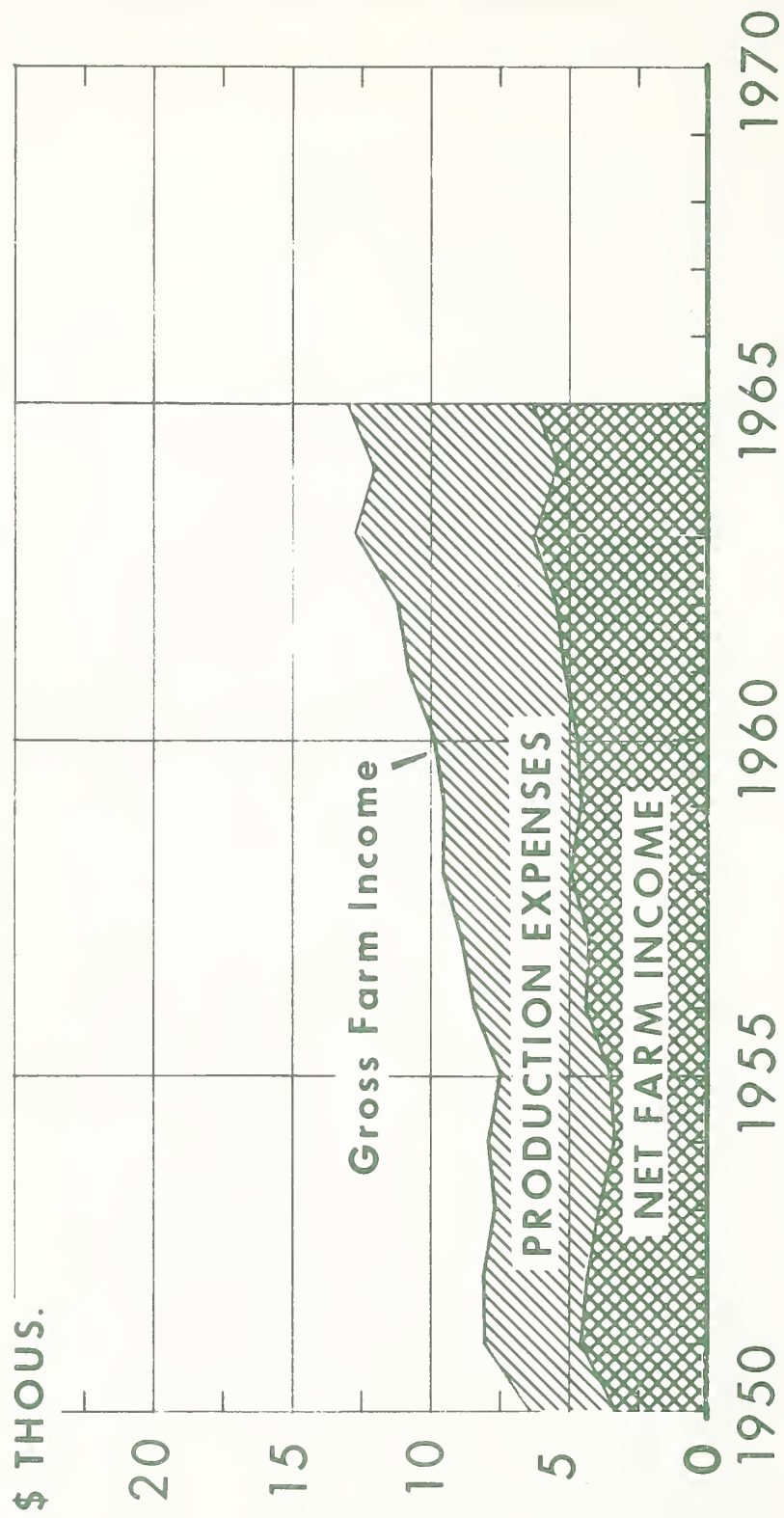


Figure 5



Receipts from cattle and calves were down about \$300 per farm in 1965 because fewer cull cows were sold than in 1964. The culling rate may have declined in response to improved milk prices in 1965 and, in addition, producers apparently had culled their herds closely in 1964.

Operating expenses advanced 2 percent in 1965. The total quantity of inputs used in 1965 was about the same as in the previous year. However, prices paid for production goods and services (inputs) averaged about 2 percent above the 1964 level. Reduced input requirements for the smaller tobacco acreage just about offset the increase in inputs for larger acreages of alfalfa hay, corn, and silage.

Feeding rates were higher in 1965 but the quantity of feed purchased was down in 1965 as more feed was produced on the farm. Total feed inputs per farm were up. In addition to larger acreages of corn, silage, and alfalfa hay, yields of corn and of alfalfa were higher than a year earlier. Yields of silage and of other hay were the same as in 1964.

Net farm income in 1965 for the Outer Bluegrass farms was 35 percent higher than in 1957-59, reflecting increased size of farm, higher yields per acre, a larger dairy herd, increased milk production per cow, higher prices received, and increased efficiency.

Total land per farm in 1965 was up 11 percent from 1957-59. Crop-land harvested averaged 41 acres in 1965, about the same as in the earlier period. The acreage of tobacco per farm was the same as in

1957-59. Tobacco acreage in general follows the changes in allotments but some farmers may offset a cut in allotted acreage by renting-in tobacco or buying more land. Acreage of corn for grain has declined slightly but the acreage in silage has increased. Total acreage of hay per farm has increased with alfalfa acreage up nearly 45 percent and other hay down about 16 percent.

Per acre yields of crops in 1965, except for mixed hay, were substantially above the 1957-59 average. Tobacco yields were 21 percent higher and yields of corn, silage, and alfalfa were up 42, 37, and 17 percent, respectively.

In 1965 these farmers milked an average of 4.2 more cows per farm than in 1957-59. Milk production per cow increased 18 percent from the earlier period and the quantity of milk sold per farm was up more than 50 percent.

Prices received for all products sold on these farms averaged 4 percent higher in 1965 than in 1957-59. Prices received for tobacco and milk were both 4 percent above 1957-59 averages.

Production per unit of input (production efficiency) on these farms increased 11 percent from 1957-59 to 1965. The chief reasons for this improvement were increases in crop yields and in milk production per cow. On the other hand, operating expense per unit of production showed an increase of 9 percent over 1957-59. This was due to higher prices paid for production goods and services (inputs).

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